

Annex III

CO-OPERATIVE PROCUREMENT OF INNOVATIVE TECHNOLOGIES FOR DEMAND-SIDE MANAGEMENT

1. *Objective*

The objective of this Task is to establish a co-operative demand-pull procedure to bring more energy-efficient and environmentally-adapted demand-side management (DSM) technologies to the marketplace, to rank innovative candidate technologies for competitive procurement activities, and to conduct procurements of innovative DSM technology which has not yet reached the marketplace to demonstrate and test the procedure developed.

2. *Means*

In order to accomplish the foregoing objective, Participants will carry out the following Subtasks:

(a) Subtask III/1 Specification of a Pilot Market Acceptance Process for International Procurement of Innovative DSM Technologies

Participants will define a process for international procurement of innovative DSM technologies which involves purchasing parties from several countries. It is foreseen that this process would have several key elements:

- (1) Define a way to establish specifications for innovative DSM technologies which would satisfy a similar demand for energy efficiency in several countries yet allow for differences in equipment performance characteristics between countries, related to factors such as different climate, voltage, equipment sizes, and modes of operation;
- (2) Define a way to gather buyers of innovative DSM technologies from different countries who have sufficient purchasing power to attract the interest of manufacturers in producing such technologies, thus establishing the necessary initial demand pull;
- (3) Define a way of conducting co-operative international procurement of innovative DSM technologies which takes account of differences between countries in legal procedures for procurement;
- (4) Define a way to select among competing manufacturers in a co-operative international procurement process for innovative DSM technologies;

- (5) Define ways to provide the necessary financial support from buyers and promoting organizations to establish the initial procurement and to maintain the demand pull.

(b) Subtask III/2 Pilot Screening of Candidate DSM Technologies for an International Competitive Procurement Process

Participants will select and describe those innovative DSM technologies which would have the greatest market penetration and energy savings if an international competitive procurement process were carried out to bring them to the marketplace. The ranking of candidate technologies will focus on performance characteristics of products and the likelihood of their market penetration, depending on factors such as the following:

- (1) Interest of countries to allocate resources to buy the innovative product;
- (2) Technical development potential for the product in terms of energy savings;
- (3) Likely product performance under typical operating conditions;
- (4) Structure of supply and demand in the product markets.

Types of technologies to be considered include:

- (1) Household and commercial appliances:

- (i) Refrigerators and freezers;
- (ii) Dishwashers;
- (iii) Clothes washers and dryers;
- (iv) Water heaters.

- (2) Lighting equipment:

- (i) Ballasts;
- (ii) Fixtures;
- (iii) Sensors.

- (3) Building components:

- (i) Windows;
- (ii) Insulation.

- (4) Heating equipment:

- (i) Boilers;
- (ii) Heat pumps;
- (iii) Solar water heaters.

- (5) Office equipment:

- (i) Ventilation;
- (ii) Computer screens.

- (6) Industrial equipment:

- (i) Motors;
- (ii) Variable speed drives.

(c) Subtask III/3 Drafting of Detailed Specifications for a Pilot Competitive Procurement of a Selected Innovative DSM Technology

Participants will develop detailed specifications for the pilot competitive international procurement of a selected innovative DSM technology based upon the process defined in Subtask III/1, building upon existing specifications as appropriate, in order that the competitive procurement process may be tested, demonstrated, and adjusted as necessary.

(d) Subtask III/4 Market Preparation for Selected Innovative DSM Technologies

To facilitate the specification and competitive procurement of innovative DSM technologies, Participants will make contacts with key market actors, as follows:

- (1) Contact with manufacturers to give early notice of the procurement and to discuss their ability to meet the product specifications set forth;
- (2) Contact with governmental authorities and consumer organizations to discuss means of strengthening the competitive procurement operation and results;
- (3) Contact with customers and other end-use representatives to establish the necessary volume of demand to obtain the required interest and response from manufacturers.

(e) Subtask III/5 Detailed Specification and Competitive Procurement of Additional Innovative DSM Technologies

Participants will finalize detailed specifications for the competitive international procurement of additional innovative DSM technologies based upon the process defined in Subtask II/1 and will then conduct competitive international procurements based on these specifications. The specifications and procurements will take advantage of the lessons learned in testing the process in Subtask III/3 as well as in evaluating the process in Subtask III/6. Participation in actual procurement will be decided individually by each Participant since special financing will be necessary for the goods delivered.

(f) Subtask III/6 Evaluation of the Competitive Procurement Process for Innovative DSM Technology and Follow-on Activities

Based upon the results of the international competitive procurements conducted, Participants will evaluate the costs and benefits of the process developed. With the help of this evaluation, Participants may modify the process to make it more effective and may also apply lessons learned to other procurements of innovative DSM technology.

3. *Results*

The results of the joint activities will be:

- (a)* A workshop and report which detail a pilot market acceptance process for International procurement of innovative DSM technologies, pursuant to Subtask III/1 as described in sub-paragraph 2(*a*) above;
- (b)* A workshop and report which select and describe those innovative DSM technologies which would have the greatest market penetration and energy savings, pursuant to Subtask III/2 as described in sub-paragraph 2(*b*) above;
- (c)* Workshops to develop detailed specifications for the competitive international procurement of innovative DSM technologies, pursuant to Subtasks III/3 and III/5 as described in sub-paragraphs 2(*c*) and 2(*e*) above;
- (d)* Competitive international procurements for innovative DSM technologies, pursuant to Subtasks III/3 and III/5 as described in sub-paragraphs 2(*c*) and 2(*e*) above;

- (e) An improved understanding of markets for innovative DSM technologies from contacts made pursuant to Subtask III/4 as described in sub-paragraph 2(d) above;
- (f) An evaluation of international procurement for innovative DSM technologies and possible draft follow-on Annexes, pursuant to Subtask III/5 as described in sub-paragraph 2(f) above.

4. *Time Schedule*

This Annex shall remain in force for five years, the first of which shall be a pilot phase. It may be extended by agreement of two or more Participants, acting in the Executive Committee, taking into account any recommendation of the Agency's Committee on Energy

Research and Technology concerning the term of this Annex, and shall thereafter apply only to those Participants*.

5. *Specific Responsibilities of the Operating Agent*

In addition to carrying out the specific responsibilities enumerated in Article 5 of this Agreement, the Operating Agent shall prepare, review, revise, and distribute to Participants the documents and reports specified in paragraph 3 above.

6. *Funding*

- (a) *Common Fund.* A Common Fund shall be established by the Executive Committee and shall be included in the Annual Programme of Work and Budget for the purpose of funding the obligations of the Operating Agent under this Annex.
- (b) *Task Costs.* The overall five-year Budget of the Operating Agent for carrying out the management of the Annex is set at a maximum of US \$500,000 at January, 1993 prices. Of this amount, estimated expenditure for the pilot phase of the Annex, lasting for the first year that the Annex is in effect, is US \$100,000. If significant changes in price levels or the scope of activities under the Annex occur, the Executive Committee, acting by unanimity of the Participants, shall consider whether to adjust the Programme of Work to the available funds or increase the Budget.
- (c) *Sharing of Task Costs.* The Budget shall generally be funded by Participants through a standard contribution of five per cent of the Budget plus a pro rata contribution based on countries' percentage contributions to the Budget of the Agency, where pro rata percentages are applied to the portion of the Budget which remains to be funded after the standard contributions are made. However, this formula may be modified by the Executive Committee, acting by unanimity of the Participants in the Task. The contributions of the European Communities and Associate Contracting Parties shall be determined by the Executive Committee, acting by unanimity of the Participants in this Annex.
- (d) *Changes in Number of Participants.* If the number of Participants changes, the shares of contributions to the costs will be adjusted accordingly by the Executive Committee, acting by unanimity of the Participants. New Participants shall pay the full share of the costs beginning with the project year in which they become Participants.

* This Annex entered into force on 28th October, 1993 pursuant to a decision by the Executive Committee in accordance with Article 2(d) of this Agreement.

- (e) *Individual Financial Obligations.* Aside from the contributions described in sub-paragraph (c) above, each Participant shall bear all the costs it incurs in carrying out its obligations under the Annex.
- (f) *Task-Sharing Requirements.* The expected contribution of each Participant to task-sharing under the Annex is 2 to 5 person-months of effort during the first year that the Annex is in force and 1 to 3 person-months of effort during each additional year that the Annex remains in force.
- (g) *Withdrawal.* As specified in Article 12(g) of this Agreement, Participants in this Annex may withdraw by giving written Notice of Withdrawal to the Executive Director of the Agency upon termination of the pilot phase embodied in the combined activities of Subtasks III/1, III/2, and III/3.

7. *Operating Agent*

The Swedish National Board for Industrial and Technical Development (NUTEK) is designated as Operating Agent.

8. *Participants in this Task*

The Contracting Parties which are Participants in this Task are the following:

The Ministry of Energy, Danish Energy Agency,
The Ministry of Trade and Industry (Finland),
The Netherlands Agency for Energy and the Environment (NOVEM),
The Ministry of Industry and Energy (Spain),
The Swedish National Board for Industrial and Technical Development (NUTEK),
The Government of the United States of America.

* See footnote p. 28.